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SUBJECT: ADMINISTRATIVE REFORM - PM AGREES TO "GUILLOTINE" TO CUT
RED TAPE

¶1. (SBU) Summary: Prime Minister Nguyen Tan Dung has approved an unprecedented three-year action plan known as "Project 30" to implement sweeping administrative and regulatory reforms in Vietnam that will affect all 22 national ministries and 64 provinces. This plan, developed by USAID with the Office of Government, is a radical and progressive governance change for Vietnam that will require active collaboration between the government, the private sector and civil society. Project 30 has the potential to transform and streamline Vietnam's regulatory process to increase transparency, reduce corruption, sustain economic growth, and benefit both citizens and business with improved services at lower cost and lower risk. Billions of dollars previously lost in "red tape" will be released to spur economic productivity, as corruption via "rent-seeking" behaviors by functionaries is greatly reduced. The PM's action is the culmination of Mission efforts to convince Vietnamese leaders of the merits and urgency of advancing good governance and adopting WTO principles of transparency and democratic processes. The action plan designates AmCham as one of the leading private sector partners, and the Ambassador has strongly encouraged AmCham to engage actively in the new Advisory Council that the Prime Minister will establish to support project implementation. End Summary.

¶2. (U) On January 4, Prime Minister Nguyen Tan Dung signed Decision 7, approving the action plan to implement sweeping administrative reforms, including the use of a "regulatory guillotine approach." USAID's flagship programs -- Support for Trade Acceleration (STAR) and the Vietnam Competitiveness Initiative (VNCI) -- were key in formulating decision language and will provide substantial technical assistance in developing the plan, known as "Project 30". Project 30, or the Master Plan to Simplify Administrative Procedures, will engage 22 ministries and 64 provinces to inventory, review and recommend simplification of all administrative procedures during the period 2008 - 2010. The regulatory "guillotine" involves placing each administrative regulation on the chopping block and eliminating any regulation that cannot be justified. If the process finds that a regulation is necessary, procedures under that regulations will be whittled it down to necessary components to minimize cost and burden and to achieve an intended purpose of public policy. The goal of the action plan is to simplify administrative procedures and reduce the burden of unnecessary government regulation for both businesses and citizens.

¶3. (U) Project 30 includes two new institutional mechanisms, which are radical changes from previous public administrative reform efforts over the past 10 years that have achieved only modest

results. The first is the "Special Task Force" reporting to the Prime Minister. Minister Nguyen Xuan Phuc of the Office of Government (OOG) will lead this body with the assistance of about 20 full-time qualified experts to coordinate and manage the reform efforts. The Prime Minister will chair the second mechanism, known as the "Advisory Council for Administrative Procedures Reform," with 15 appointed members, including representatives from the American Chamber of Commerce (AmCham), European Chamber of Commerce (Eurocham), a Korean business association, and a Japanese business association. The action plan will set up working groups to address sectoral and specific issue areas. The Prime Minister will establish these mechanisms with forthcoming separate Decisions.

¶4. (U) VNCI will begin initial consultations with AmCham and other prospective Advisory Council members this week. STAR and VNCI will host a workshop in February after the February Tet holidays on the sixth draft of the Administrative Procedures Law (APL), with representatives from the APL drafting committee and from the Law on Laws drafting committee to integrate main ideas from OOG Minister Phuc's recent administrative reform study mission to the United States and South Korea which was sponsored by USAID. STAR and VNCI will provide strategic advice and technical assistance to the OOG to set up the task force office, recruit personnel, establish computer systems, and design "e-guillotine" project management software. USAID will also assist with project branding and coordination of additional donor assistance. The APL is part of the government's legal and political strategy to develop a policy coordination function at the center of government (similar to our OMB/OIRA, which the OOG study mission visited in Washington) to manage effectively the regulatory system to achieve a lower cost, lower risk business environment in the post-WTO accession period and to create more effective democratic processes of consultation, transparency, and accountability in governance.

¶5. (SBU) Comment: The PM's action can be seen as another feather in the cap of VNCI, which has already received wide acclaim for its

Provincial Competitiveness Index. The Index, a joint effort between VNCI and the Vietnam Chamber of Commerce and Industry, rates each of Vietnam's 64 provinces on "doing business" issues, and yields a numerical score for each jurisdiction. Leaders do not wish to be number 64, and this mechanism has proven extremely effective in improving business conditions throughout the nation. This latest initiative promises to be even more significant in enhancing governance. Project 30, if carried out effectively, will improve the business climate, create more transparency in policy making and policy implementation, and facilitate private sector investment. In his meetings this past week with AmCham, the Ambassador has encouraged them to make their active participation in the Advisory Council a priority. While implementing Project 30 may inevitably encounter resistance from certain entrenched interests, the Prime Minister's willingness to take such a risk is an encouraging sign of his commitment to governance reform. Underscoring the PM's commitment, Vietnam Television will be airing a 30 minute program about the Index on January 18, publicity that is clearly designed to make organizing efforts to undermine the project much more difficult. End Comment.

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